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► To cite this version:

Marc Fleurbaey, Ravi Kanbur. Social Progress and Global Governance. Global Summitry, 2019, 10.1093/global/guz003 . hal-03047368

HAL Id: hal-03047368

<https://hal.science/hal-03047368>

Submitted on 31 Dec 2020

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Marc Fleurbaey, Ravi Kanbur

Abstract

Over the last four years we have worked with a large, international and multi-disciplinary, group of scholars and social scientists, in the preparation of the first report of the International Panel on Social Progress (IPSP) (Rethinking Society for the 21st Century, Cambridge University Press, 2018). The question this group set itself to answer was whether we can hope for better institutions and less social injustice [what do you mean by social institutions? - ASA] in the world in the coming decades, given the ongoing trends.

The three volumes of this report, which cover a wide range of issues (see the Appendix for its table of contents and a quick summary of each part), convey a mixed set of hopeful considerations and stern warnings. “Humanity is at a peak of possibilities, but facing an abyss.” A central thread of the vision of progress that the report outlines is that governance is key not only to any process leading to such a vision, but also to the vision itself. In other words, the better society we can envision, at a time when electoral upheavals in various parts of the world make many observers view democracy as a depleted resource, would feature much more participatory decision-making than we have now. But in a globalized world, how can this be achieved? Here two ideas seem to us crucial. First, even in a hyperglobalized world, the nation state and national politics remain strategic places that determine not only local developments but also world cooperation. Second, the rising importance of global commons requires a new investment in, or even a reorientation for, international organizations.

In this article we lay out these ideas and propose five general principles for a reform of global governance mechanisms. These five principles are meant to attune the structure of governance and the choice of transnational policies to the needs raised by cross-border and global issues.

A mixture of good trends, bad trends, and alarming turns

Tremendous progress has been achieved in the world since WWII, in terms of growth, development, poverty eradication, health and longevity, democratization and national autonomy. These positive developments have not been achieved simply by a natural expansion of the realm of the market economy and liberal democratic institutions. They have actually resulted from complex and diverse movements, usually with a strong push from the disadvantaged populations, but also sometimes with authoritarian initiative of visionary state leaders. The decolonization movement has been painful and full of violence triggered by staunch resistance from the vested interests of dominating powers or the ideological blinders of their political leaders and followed by the quick corruption of many of the new regimes of emerging countries. Likewise, the Cold War hampered the development of many countries by transforming them into pawns of a larger low-intensity conflict. Against this fraught background, the success of human development over the recent decades is all the more striking. The economic catch-up of Asian economies, first Japan, then Korea and more recently China and India, has repeatedly beaten all expectations by using a mixture of public and private initiative, long working hours, but also by relying very strongly on incentivized (or forced, or stolen) technology

transfer. Similarly, Scandinavia has emerged as the frontier area for human development out of unfavorable conditions in the early 20th century, not through simple market recipes, but by a remarkable blend of market discipline and trade openness with social cooperation and solidarity. The wave of democratization following the collapse of the USSR has been possible with a combination of enlightened leadership and popular push, with different importance of these two factors in different contexts.

Some of these successes bring the possibility of their own demise. Economic development has worsened the rate at which pollution and the expansion of human habitat alters ecosystems and in particular accelerates climate change and the depletion of biodiversity. Likewise, the unequal distribution of the benefits of globalization and technological progress, which is the natural if not unavoidable consequence of the new opportunities offered to skilled and wealthy actors, generates a lot of frustration among the population left behind. As well analyzed by Branko Milanovic (2016), these left behind populations include the least developed areas of the world, in particular in Africa and parts of Asia, and the displaced workers of manufacturing industries in developed countries. This frustration transforms into migration desires or political rebellion and destabilizes not only political institutions but also the spirit of global cooperation. Vicious circles arise when the areas in crisis expel large numbers of migrants and such population movements trigger identity upheavals and closure reactions in rich countries, bringing demagogues to power and further undermining the sources of prosperity and development. Even the great success on the front of health is generating an ageing problem in developed countries and a demographic surge in Africa, which both, directly or indirectly (through migrations or local conflicts), threaten the conventional forms of national solidarity in the developed world and of international solidarity with the least developed areas.

Economic openness has come to a halt since the Great Recession (Harrison 2019), and while the Polity curve of democratization is not yet turning down (Figure 1), there is a clear increase in authoritarianism and aggressive nationalism in many countries of the world, including in the European Union, which was perhaps the least likely place for such a development after the hard lessons learned in WWII. The vicious circles that pull ecological, social and political troubles down spiraling into full-blown crises will ultimately put a brake on the economy and further stir distributional conflicts. Violent conflicts are already on the rise, not just in the form of terrorism (Figure 2). A major conflict is far from being impossible in the near future, and the doomsday clock of the Bulletin of Atomic Scientists has now come back to its worst level ever (2 minutes before midnight, as in 1953).

Participatory governance is the process and the aim

Democracy is having a bad time. Analysts such as Foa and Mounk (2016) emphasize that disaffection for the institutions of liberal democracy is not just increasing but is following a clear generational pattern. The younger cohorts are much less likely to support the idea that it is “essential to live in a country that is governed democratically” than their elders. This bodes ill for the future, and the “deconsolidation of democracy” has become a popular expression among pundits. What is also well established is that in most parts of the world, with a few conspicuous exceptions such as Scandinavia, trust in national political institutions has been declining and today is very low.

But the IPSP report suggests restraint and allowing some distance with respect to such negative perspectives. Instead of seeing the recent history as one of rise and shaking (or even fall) of democracy, one should tackle the question of democracy together with the evolution of society. Social cohesion and a healthy democracy go together, and when social cohesion is undermined, as it has been by the unequal distribution of the gains of globalization and technological change, and by identity crystallization around migrations or values, it is no wonder that democracy is suffering. The crisis of democracy, in other words, was in preparation even at a time when democratization was still the apparent trend.

Moreover, the question of power and control is much larger than political institutions narrowly construed. Many trends have reduced the sense of control over one's life that the average citizen can enjoy. A more volatile labor market, with a decrease in union coverage, and in many countries a prevailing austerity discourse threatening to roll back safety nets, have generated a sense of insecurity. The decision centers are now much more distant from the worker-citizen than after WWII. Most firms are parts of transnational groups or networks, as components or as subcontractors, in which strategic decisions such as plant closures are made far away with little regard for local consequences. Trade agreements negotiated in opaque ways have included dispute resolution mechanisms that give transnational corporations a degree of leverage over national social and environmental policies that is clearly viewed as anti-democratic. Cooperation institutions, such as the European Union, have been built on a similar technocratic mode and have used their regulatory power in ways that have more often been resented as illegitimate by populations. National and local politicians have not been helpful when they used supranational entities as scapegoats for their own shortcomings as is the case with the EU.

And last but not least, the structure of the liberal democracy model has always been premised on the idea that most populations should be confined to a passive role while power is, in the economy, concentrated in the hands of business leaders and major shareholders while in politics it is concentrated in the hands of professional policy-makers. The subordination of the worker that is still the key component of the labor contract, and the subordination of the wife in the household that has only recently been removed from the law, were considered perfectly normal in the origins of this model, in blatant contradiction to its pretense to enshrine democratic rights and equal dignity. To put it bluntly, if democracy is in trouble, it is because it has just not yet been tried to a substantial extent.

In this context an interesting trend is the emergence of civil society as a key player in social movements and political initiatives. Traditional organizations such as political parties and trade unions have been on the decline in many places, but in their stead a new ecosystem of associations and more informal movements has been pushing a greater variety of causes such as respect for women, inclusion without regard to sexual orientation, climate action, and so on. This new set of players can be a resource for inventing new forms of governance that put a check both on meddlesome governments and on greedy businesses. For instance, NGOs can be involved in the monitoring of the media and internet, for which neither partisan governments nor profit-seeking businesses can be trusted for handling these things in the interest of all citizens.

There are myriad examples of transformative NGOs, particularly in developing countries. In Bangladesh, organizations like Grameen and BRAC have contributed to what is sometime known as

the “Bangladesh paradox” (ESID, 2017). Bangladesh is a country which has low scores on governmental probity like Transparency International’s corruption index—ranking 149 out of 180 countries (<https://www.ti-bangladesh.org/beta3/index.php/en/activities/5761-bangladesh-slips-by-2-points-in-global-corruption-perceptions-index-ranks-149-ti-bangladesh-demands-for-a-national-anti-corruption-strategy>), and yet outperforms countries at comparable per capita incomes on a range of social indicators such as poverty and girls’ education. Bangladesh’s strong civil society has been an integral part of the political settlement which has advanced social development at the ground level despite failures of governance at the national level.

A second example of transformative NGOs is the Self Employed Women’s Association (SEWA) in India, www.sewa.org. SEWA has a range of conventional services it provides to its poor, female, members in informal employment: microbanking, microinsurance, health care, child care, etc. But at its heart is capacity building for poor women to recognize and then demand their rights. These rights are initially at the local level—for example, municipal regulation which stands in the way of law abiding street vending. But SEWA takes a national perspective also, as when national level insurance regulations stand in the way of effective expansion of microinsurance. In such cases SEWA uses its local organizational strength to lobby for changes. In this it also builds alliances internationally, for example through transnational NGOs like WIEGO (www.wiego.org). WIEGO is in turn an alliance of SEWA-like NGOs around the world, working to highlight the working conditions of informal sector workers, and to use trans-national mobilization to change global perspectives and norms. An example of civil society success at the global level is getting the ILO to adopt a Home Based Workers Convention (C177). Indeed this Convention—its adoption twenty years ago and the ongoing process of implementation and monitoring—is an illustration of civil society organizing itself to address key social issues at the local, national and international levels (<http://www.wiego.org/organizing/c177-homework-convention>).

On the basis of these observations, the general idea here is that we need to move away from the outdated vision of a political system organized under a meek principle of electoral competition combined with an economy largely based on a rudimentary idea of freedom of contract. The direction that appears promising (and can take various institutional forms in various regions and cultures) involves tracking all situations in which people’s capacity for agency is not developed to its potential, and promoting participatory forms of decision-making for all the contexts, in politics but also in the economy and in all social contexts, in which collective responsibility is engaged. Participatory governance enhances the sense of dignity enjoyed by all members of society, and provides a greater control of one’s life, a greater ability to pursue one’s personal and collective goals. While this is desirable in itself on pure normative grounds, it also appears the most promising way to ward off the threat of major disruptions and conflicts that recent developments in various countries suggest are increasingly likely.

Concretely, participatory governance can be embodied in more frequent forms of public deliberation involving ordinary citizens (possibly drawn by lot to participate in mini-publics), greater involvement of stakeholders in corporate governance and other forms of economic management, decentralization guided by the subsidiarity principle, and greater transparency and tighter civic monitoring of political activities of all sorts (including political funding, lobbying, and the media).

This vision is antithetical to both the centralized economy of the statist version of socialism and the individualistic market economy of the libertarian creed. It represents a form of third way that purports to go deeper toward human development and social cohesion than the traditional welfare state, even in its Scandinavian version.

The nation state is dead, long live the nation state

The vision articulated in the previous section appears primarily conceived for the national context, and may not appear to shed much light on how to reform global governance. Of course, it could easily inspire general ideas for a federal form of a world government, but would such ideas be useful for the current situation?

This issue has to be examined in the context of the ongoing debates about the evolution of the nation-state in the globalized economy. The nation-state of the Westphalian era used to provide the frame within which all the actors of the economy, the polity and the society were playing their part. This frame has been eroded by the globalization and especially by the emergence of transnational corporations and global value chains that dwarf many state structures and wield considerable influence. At the same time many subnational entities have been tempted to secede or at least seek more autonomy, especially when a supranational institution like the European Union provides a general umbrella under which small states can have a cooperation structure. Overpowered from outside by large economic actors and contested from inside by autonomy demands, has the nation-state reached the end of its history?

The IPSP report argues that the nation-state will remain, as far as we can see, a crucial agenda-setting platform and a central player. Two reasons motivate this prognosis. First, the nation-state still provides a convenient setting for key legislative and regulatory activity, as it is sufficiently central to cover a relevant part of the population while being sufficiently close to the population so that the ideal of democracy makes concrete sense at this scale. Traditions and cultures have been built up that make it hard to transfer this regulatory activity to other settings or scales. The travails of Europe show the difficulty of transferring substantial regulatory power beyond the national borders. In particular, a world government is not in the cards since there is still no convenient mechanism to make citizens identify with supranational policy bodies, though this might be changed through innovative mechanisms such as the build-up of a global safety net. At any rate, there are enough matters that can be dealt with at the national level, so that the subsidiarity principle would generally require a substantial decentralization of governance for a world state.

The second reason why the nation-state remains important is that, in spite of globalization, it does retain considerable leeway in socio-economic policies. The proof of this claim lies in the great variety of degrees of redistribution observed in various countries. Even though some traces of a race to the bottom in regulation and redistribution can be observed (Causa and Hansen 2017, and Figure 3), there is no convergence toward a uniform set of institutions across countries. Moreover, the continued increase of social public spending as part of GDP in most OECD countries is also a proof that the nation-state is not downsizing.

Global commons and spillovers: Are our institutions fit for purpose?

The nation state needs tax revenues to address the many issues it faces within its borders, as outlined in the previous sections. To take just one example, there are many responses to the inequality increasing thrust of new labor saving technology—creating new skills, redistributing market income, or even creating new efficient but labor-using technology. Each of these requires resources to be deployed by the nation state, in education, in redistribution, or in research and development. But in a world in which capital and skilled labor are mobile, attempts to tax economic activity to raise such resources will be thwarted by the threat of crossing borders to flee to low tax jurisdictions. A race the bottom can then ensue, as each state tries for revenue through lower tax rates to attract tax base. A race to the bottom has indeed ensued, as Figure 3 shows for corporate tax rates. Thus nation states in their collectivity, each trying to solve its problem, make matters worse for nation states as a whole.

Taxation is just one of a range of issues which arise from cross-border spillovers of economic activity and national policies, or from global commons problems, i.e., the overuse of certain global resources by some countries reducing access for the rest of the world. Other examples include:

- Financial contagion, where crises in one part of the world spread rapidly to other countries through interlinked capital and financial markets.
- Infectious diseases, which spread through movements of population across national borders.
- Economic migration flows, induced by income differentials and by population and natural resource pressures.
- Refugee migration flows, triggered by low level and high intensity conflicts, through which disturbances in faraway lands can end up on the doorstep of countries not expecting these flows.
- Climate change, which is the result of an aggregation of national level greenhouse gas emissions, but which will affect all nations, even before catastrophic tipping points are reached.

All of these examples share the generic characteristic that free riding by one nation begets free riding by another, leading to a worse outcome for all. What is needed for resolution is cooperation across nation states, and institutions which can develop consensus and implement solutions. We do have global institutions. But, fairly clearly, they are not doing the job—otherwise we would not have the problem.

One reason why the global institutions we now have are not fit for purpose is that they were designed in an earlier era for an earlier generation of issues. Despite their success in addressing those issues, these institutions are now floundering in the face of current problems. A good illustration of this proposition is the World Bank (Kanbur, 2016). It was founded, along with its sister institution the International Monetary Fund, through the Bretton Woods Conference in 1944 when the soon to be victorious allies gathered, just after the D-Day landings, to design the economic institutions for the post-war world. The leading lights of the conference were two economists: Harry Dexter White, the key technician of the US delegation, and John Maynard Keynes, the head of the UK delegation.

Keynes was of course perhaps the most famous economist of his day, having previously decried the legacy bequeathed to the world by the Treaty of Versailles after the First World War, with its vindictive reparations policy which contributed to the conditions leading to the Second World War. But now the economic future of the world was for him to design and negotiate, and he set about it in no uncertain terms. On the “Bank for Reconstruction and Development”, his opening comments as Chair of the Bretton Woods Committee charged with the task of designing the Bank, are inspirational in their soaring rhetoric and yet precise in their technical design specifications for the new institution. He referred to “those difficult, almost overwhelming tasks which lie ahead of us, to rebuild the world when a final victory over the forces of evil opens the way to a new age of peace and progress after great afflictions.” (Keynes 1944, p. 75) And as for the design of the institution and its instruments:

“...it will be authorised in proper cases and with due prudence to make loans to the countries of the world which have suffered from devastation of war, to enable them to restore their shattered economies and replace the instruments of production which have been lost or destroyed.....[A]s soon as possible, and with increasing emphasis as time goes on, there is a second primary duty laid upon it, to develop the resources and productive capacity of the world, with special attention to the less developed countries..... The proposal is....that all the member countries should share the risk in proportions which correspond to their capacity. The guarantees will be joint and several, up to the limit of any members’ subscription.....I fancy that the underlying conception of a joint and several guarantee of all the member countries throughout the world, in virtue of which they share the risks of projects of common interest and advantage even when they cannot themselves provide the lump sum loan originally required, thus separating the carrying of risk from the provision of funds, may be a contribution of fundamental value and importance.....” (Keynes, 1944, p. 74-75)

The sovereign loan instrument designed by Keynes was very well suited indeed to the needs of the times, with funds needed for infrastructure in bombed out Europe and Japan but available almost only in the US. The key component was the collective action embodied in the mechanism of guarantees which were “joint and several, up to the limit of any members’ subscription”, thus limiting risk to any one member state but permitting overall risk to be borne by the entity as a whole. The brilliant design and the intermediation it permitted played its part in post-war revival, leading to a “golden age of capitalism” which laid the foundations of the many of the economic and social achievements mentioned earlier in this paper.

The World Bank continues to function today with its core sovereign loan instrument, making primarily country specific loans for country specific activities, to be repaid to the specific country to which the loan was made. And yet the world of today is very different from the world of 75 years ago, when the Bretton Woods conference was held. Recovery in Europe and Japan was followed by historically unprecedented growth in Latin America and in Asia and then previously unimagined cross-border flows of private capital and investment. Indeed, to such an extent that these are now considered to be part of the problems of the new century, not necessarily solutions to those of the past. Of course country specific issues persist in Africa and other poor countries as highlighted previously in this paper, but not at the global scale of three quarters of a century ago. In any event, the World Bank’s signature sovereign loan instrument has now been replicated by a slew of regional multilateral development banks such as the Asian Development Bank, the Inter-American

Development Bank, the African development Bank and, most recently, the Asian Infrastructure Investment Bank.

What, then, is the World Bank to do? At the same time as replication of its conventional activities by others, the dominant issues of our time are no longer to do with financial intermediation between global sources of funds and their uses in individual countries. Rather, we have an array of cross-border spillovers and global commons problems as outlined earlier in this section. Arrangements which address these issues are global public goods—they benefit all countries and indeed no country can be excluded from their benefits. The World Bank and its signature sovereign loan instrument, however, seems particularly unsuited to designing and financing global public goods, since a loan requires precise specification of the beneficiary and hence the agent who will repay the loan. Cross-border spillovers muddy the waters on this neat specification, and hence complicate considerably their use in investing, not just for country specific gains but also for mutual cross-country benefit.

This fundamental problem has been recognized recently in several recent reports, for example by the G20 (G20 EPG, 2018) and the Centre for Global Development (2016), which encompass not just the World Bank but the broader system of multilateral development banks (MDBs). The Report High Level Panel on the Future of Multilateral Development Banking (Center for Global Development, 2016) made this a key recommendation for reform:

“An explicit new mandate for the World Bank should promote global public goods critical to development as its major priority, through the creation of a new financing window or fund with a separate governance structure and a target of deploying \$10 billion in grant resources annually within the next five years. Resources would be directed to selected programs with substantial spillovers at the global level, primarily in agriculture, energy/climate, health, and development policy data and research that cannot easily be structured or priced as traditional country operations. The funds would be channeled as grants, including to other institutions (say, for country price data to allow purchasing power parity estimations); and as subsidies to select lending operations, including those of other MDBs, for which borrowers cannot be expected to bear the full costs (as for renewable power where coal is cheap).” (Center for Global Development, p. x).”

What are the prospects for these and other recommendations for reform of institutions set up three quarters of a century ago? Not only is there a mismatch between the instruments of then and the needs of now, but there is also a mismatch between the governance structures of then and the greatly altered economic and political power structures of today. The struggles to increase the capital base of the World Bank again provides a good illustration. The US has effective veto power with its capital share of just over 15 per cent, since the Articles of Agreement specify an 85 per cent voting threshold for fundamental changes—including to the Articles themselves. The US has been reluctant to increase its capital for its domestic budgetary and political reasons, but it has equally been reluctant to let other countries increase their capital, for fear of dilution of its voting power. There is significant demand from emerging economies such as China to increase their capital, but they are thwarted by the self-defeating 85 per cent provision in the Articles—which perhaps made sense in the middle of the last century but is aberrant as we approach the middle of this one.

In addition to this is the convention that the President of the World Bank has always been an American (and the head of the International Monetary Fund, a European—another carve up reflecting power structures at the end of the Second World War). This convention was never

challenged till 2012, when President Obama nominated Jim Yong Kim, a US citizen, to the position of President of the World Bank. Observers noted that Kim was a non-traditional candidate for the post given that he was not a banker as had been most of his predecessors. But they also noted that he was a US citizen and bridled at the “coronation” of the US nominee. For the first time, member states nominated two challengers, Ngozi Okonjo-Iweala, a former World Bank staff member who was then Nigeria’s Finance Minister, and Jose Antonio Ocampo, former Minister of Finance of Colombia. But, as expected, the US nomination prevailed.

After Kim’s resignation from the World Bank in 2019, President Trump named David Malpass, Under Secretary at the US Treasury for International Affairs, as the US nominee for President of the World Bank. Despite strong opposition to this nomination, including based on the nominee’s past hostility to the mission of the World Bank and other international organizations, the nomination has been approved. Indeed, it looks as though the division of spoils between Europe and the US will also continue:

“Malpass looks likely to be confirmed by the nation states that fund the Bank. The Europeans are too strongly attached to the informal ability to appoint the IMF head to put up much of a fight. In fact, some may see this as a guarantee of the IMF’s leadership for at least one more round — now that the U.S. will “owe” them for backing Malpass.” (Bremmer, 2019)

Early in the Trump Presidency of the US, the future of the World Bank looked increasingly volatile under the influence of a mercurial leader of the nation with the largest shareholding (and veto power). This included entry points for his daughter to the World Bank’s activities, which led the *Financial Times* (May 31, 2017) to lament as follows:

“Pity the World Bank. Challenged by other lenders in its key role of providing finance to developing countries, it is battling for legitimacy as it tries to reflect the rising influence of emerging markets and grappling with discontent among its staff. On top of this comes hostility from the administration of Donald Trump, who has threatened to cut the US funding contribution. The response of Jim Yong Kim, the bank’s president, appears to be to put bank services at Mr. Trump’s disposal. He has offered to set up and administer a fund for women’s entrepreneurship championed by Ivanka Trump, the US president’s daughter, and offered to provide expertise for Mr. Trump’s planned infrastructure plan.”

The disproportionate power vested in one particular member state led to this debacle, but as argued in this article and in Kanbur (2017) the World Bank also faces existential challenges because it is attempting to address the issues of today with the instruments and structures of yesterday. And the World Bank is but one example of a global institutional architecture which is straining under the pressures of the new century.

The Global Institutional Architecture: Reform or Revolution?

The World Bank is only one institution in a constellation of myriad institutions which cross national borders in their mandate. There are multilateral regional development banks in Latin America, Africa and Asia. Many multilateral banks go down to the sub-regional level (for example the Corporacion

Andina de Fomento, or the West African Development Bank). And new multilateral banks continue to be set up, most recently the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (also known as the “BRICS” Bank, after the founders Brazil, Russia, India, China and South Africa). Beyond MDBs, institutions like the World Health Organization, the International Labor Organization, the Food and Agriculture Organization, the United Nations Industrial Development Organization, the United Nations Framework Convention on Climate Change (the institutional home of the Paris 2015 agreement on climate change), the Organization for Economic Development and Cooperation’s Base Erosion and Profit Shifting agreement, all address specific issues, but with limited financing. And of course the International Monetary Fund (IMF) is the key global institution for global monitoring of financial flows and balance of payments.

The proliferation and expansion of institutions along “Bretton Woods lines” is one feature of the post war world, and is perhaps a response to the dominance of the US in the founding Bretton Woods institutions. But the cross-national institutions of the European Union, the Organization for Economic Development and Cooperation (OECD), the G7 or G8, G20 etc. are also reflections of the need for countries to come together in different groupings to address different issues which cross borders. Clearly, cross national organizations have multiplied. But do we have the right mix? Do we have too many? What should be the criteria for evaluating the value added of existing and new candidate institutions? And should the institutional architecture evolve, as it has done so far from the initial creation at the end of the Second World War, or should there be a fundamental rethink—a new Bretton Woods conference to set the institutional framework for the coming three quarters of a century?

Of course it has to be conceded at once that despite our characterization of the present conjuncture as “at a peak of possibilities, but facing an abyss”, and despite the crises outlined in the earlier part of this paper, the fierce sense of urgency for the global future which was felt by delegates to the Bretton Woods Conference is not present among the world leaders of today. A world war does that to you, and that is one sense in which, fortunately, the world is indeed different today than in 1944. Without the clear and present danger of a crisis felt by the leaders of the world in the same way as three quarters of a century ago, we are perhaps confined to a more incremental path of changes, institution by institution, challenge by challenge, political opening by political opening.

There is yet another type of argument against grand global designs at this moment. Rodrik (2011, 2016) has argued cogently that the rush to globalization and deregulation in the international sphere undermined the ability each nation state to implement its own norms and values in labor, environment and finance. We have already discussed how global capital and skilled labor mobility constrains tax capacity in nation states. But Rodrik (2016) issues a general caution against global agreements which constrain the expression and implementation of democratically expressed outcomes within nation states:

“... [G]lobal governance should focus on enhancing democracy, not globalization. Global governance cannot overcome major problems like inequality, social exclusion or low growth, but it can help by devising norms that improve domestic policy making, like requirements on transparency, public deliberation, broad representation, accountability and use of scientific or economic evidence in domestic proceedings.”

Given these cautions about grand global designs, and in any case their low likelihood in the current political climate, it seems that incremental reform and organic evolution of institutions is a more promising route. But even so we can elucidate some principles for the assessment of current and potential new global institutions as servants of, rather than masters of, national democratic determination while addressing cross-border issues which are the hallmark of the present era. Here are five such principles as a start to the conversation:

- The institutions of today have emerged and grown through accretion and in response to specific political situations of the last three quarters of a century, not least the starting point of hegemony by the US and Europe. While clearly a political issue in practice, the analytical assessment should focus on cross-border issues and how they are or are not being addressed by the institutions being evaluated.
- The principle of subsidiarity should be rigorously evaluated. The presumption should be that cross-national institutions will be close to the cross-border issues they are meant to address; and efficiency arguments for merging should be allowed but carefully evaluated.
- Institutions should be given instruments appropriate to the task, for example grant rather than loan instruments for addressing cross-border spillovers.
- The balance between sector-focused and country-focused institutions should be assessed. Sector-specific institutions can reap scale advantages of specializing in narrow technical issues like global health, but a country focus is also needed to implement their programs.
- Governance of cross-national institutions should evolve to reflect the economic and political balance in the world of today, not that of seventy five years ago. Of particular concern is the dominance of the US and Europe in many institutions, a dominance which has long outlived reality and usefulness.

Conclusion

Governance failures, especially at the global level but in close interdependence with national and local governance problems in key countries, may be the largest threat looming over the fate of the world in this century. The five principles outlined at the end of this paper for global governance can be summarized as meant to adjust the level of management to the level of the underlying needs, and the type of intervention to the type of prevailing needs. They require further work to translate into more concrete recommendations. But we believe that it is possible to transition to a better global governance while keeping an important role for the nation-state.

The ideal governance structure for the world, in light of the participation principles laid out earlier in this article, would involve polycentric and multilayer forms of governance tracking the degree of interdependence between local jurisdictions as well as potential (economic and technical) economies of scale and (political and cultural) diseconomies of scale and decreasing identification with greater integration. Without leaping to this ideal form, an evolution along the lines suggested in this article would go some way toward giving citizens some sense of their concerns being better taken into account. More ambitious forms of citizen participation can even be recommended for international bodies. International organizations such as the OECD and the World Bank have already elicited the views of populations about the measure of well-being or the experience of poverty. Getting citizens

more directly involved in participatory mechanisms really contributing to decision-making on cross-border or global issues might restore some perception of being in control, in spite, or even through the globalization of the decision-making process.

Another set of key actors for a possible improvement to global governance comes from civil society. There is great potential in harnessing civil society at the national level for building up new forms of checks and balances, but we believe that there is also much to expect from the arrival of civil society on the international political scene. Governments and transnational corporations suffer from a lack of legitimacy on cross-border and global issues, while international organizations struggle to assert their influence and develop their accountability. In this context, civil society organizations can provide a new channel to express the populations' concerns. They are of course very far from being representative of the populations, but their contribution can be very positive in improving transparency in the strategies of the most powerful actors, and in increasing their accountability to the populations these actors affect. The current trends are not very positive, unfortunately, as the space for civil society is actually shrinking in many countries due to the rise of authoritarian and illiberal policies. But by ignoring the potential of civil society one would miss a historical opportunity, and it would be great to see new actors (possibly from civil society itself) take on the task of fostering the internationalization of civil society movements and organizations.

ASA comments:

- I think you need a more encompassing conclusion after the five principles.
- What is unclear, in my view, are a number of key concepts that need further elaboration including: global commons, spillovers and finite resources at the global level. I believe there is a confusion of the last two concepts at least that need to be addressed.

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Appendix: Outline of *Rethinking Society for the 21st Century*

The First Report of the International Panel on Social Progress is divided into three parts, together with two introductory chapters and two concluding chapters. The introductory chapters lay out the main social trends that form the background of this Report (Chapter 1), and the main values and principles that form a “compass” for those who seek social progress (Chapter 2).

The first part of the Report deals with socio-economic transformations, and focuses on economic inequalities (Chapter 3), growth and environmental issues (Chapter 4), urbanization (Chapter 5), capitalist institutions of markets, corporations and finance (Chapter 6), labor (Chapter 7), concluding with a reflection on how economic organization determines well-being and social justice (Chapter 8).

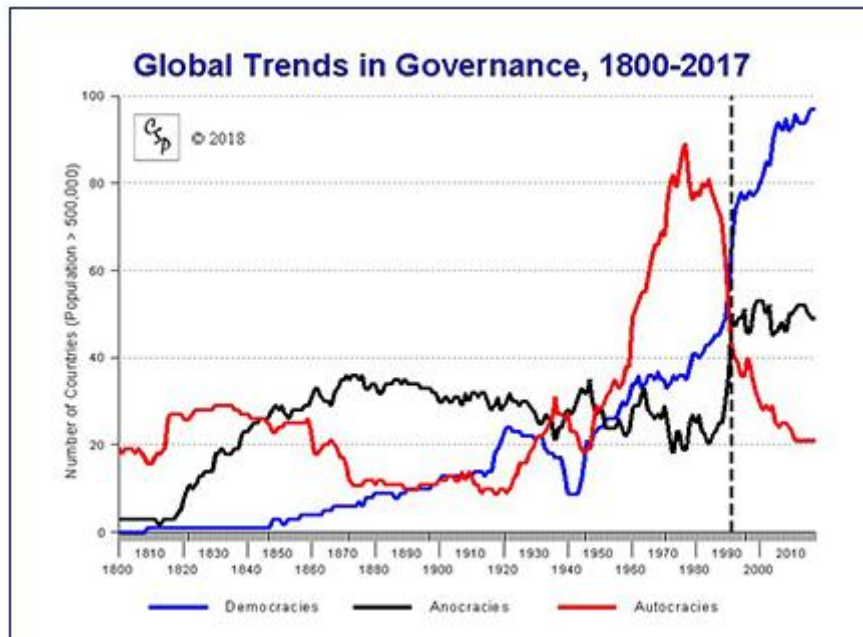
The second part of the Report scrutinizes political issues, scrutinizing the ongoing complex trends in democracy and the rule of law (Chapter 9), the forms and resolutions of situations of violence and conflicts (Chapter 10), the mixed efficacy of supranational institutions and organizations (Chapter 11), as well as the multiple forms of global governance (Chapter 12), and the important role for democracy of media and communications (Chapter 13). It concludes with a chapter on the challenges to democracy raised by inequalities, and the various ways in which democracy can be rejuvenated (Chapter 14).

The third part of the Report is devoted to transformations in cultures and values, with analyses of cultural trends linked to “modernization” and its pitfalls, as well as globalization (Chapter 15), a study of the complex relation between religions and social progress (Chapter 16), an examination of the promises and challenges in ongoing transformations in family structures and norms (Chapter 17), a focus on trends and policy issues regarding health and life-death issues (Chapter 18), a study of the ways in which education can contribute to social progress (Chapter 19), and finally, a chapter on the important values of solidarity and belonging (Chapter 20).

The two concluding chapters include a synthesis on the various innovative ways in which social progress can go forward (Chapter 21) and a reflection on how the various disciplines of social science can play a role in the evolution of society and the design of policy (Chapter 22).

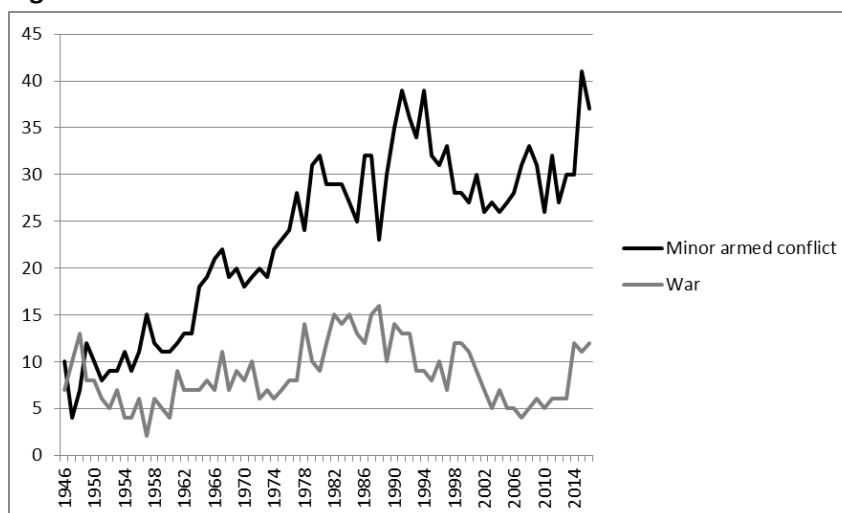
Figures

Figure 1: The curve of democracies is not yet turning down



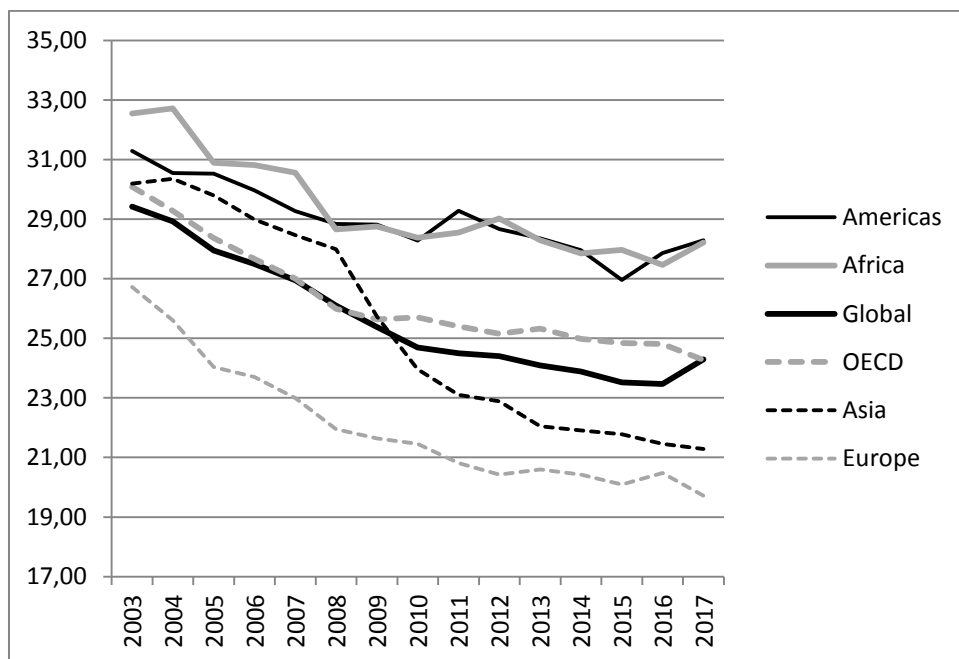
Source: The Polity Project, <http://www.systemicpeace.org/polityproject.html>, accessed Feb. 3, 2019

Figure 2: Violent conflicts are on the rise



Source: IPSP (2018), Vol. 2, Chapter 10.

Figure 3 –Corporate tax rates exhibit a race to the bottom



Source: KPMG